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ADDRESS OF PRESIDENT TAFT

AT THE LUNCHEON OF THE AMERICAN ECONOMIC ASSOCIATION, AT
THE RALEIGH HOTEL, WASHINGTON, D. C., DECEMBER 28, 1911.

Mr. Chairman, Ladies and Gentlemen of the American Economic Association:

I suppose this is not a collection of mathematicians for the purpose of calculating how far in the future is that date to which the Chairman just now referred. Even if we have all the youth of Mr. White, I am afraid we shall not draw very near, if we continue to live for many eons, to the time when insurgents shall not insurge, and these peace meetings shall not be disturbed by enthusiastic peace lovers.

It is true, as your Chairman has said, that this Government turned a little corner in attempting to use men for technical purposes who know something about the technical art that is involved in doing the thing to be done. For instance, it has taken us a long time to realize that in laying out Washington we ought to have architects and artists who know something about it. We now have a Commission of Fine Arts, composed of landscape architects, sculptors, and others who have given their lives to the study of art. That is one step. Then when we have gone into the same subjects that involved a knowledge of economy, we have summoned one or two gentlemen who have given their lives to those subjects, for the purpose of learning what they thought about them—not for the purpose of performing what they recommend. I do not mean to say that we may not, but I do not want to raise hopes too rapidly.

I think everyone who reads the report of the Railway Stock and Bond Commission reads it with satisfaction and pride that there was called to the assistance of the Government, with respect to a difficult question, men who knew what they were talking about, and knew how to dissect the evidence which was brought before them and make recommendations, and how not to feel it necessary to recommend reforms just because they were changes.

And so with reference to the Tariff Board. We really put upon the Tariff Board two economists—two gentlemen who had given their time and education to the investigation of facts with reference to their application to economical questions. They have

made a report, and we are going to use that report to discuss legislation.

One of the great problems—of course you know and feel, and everyone feels—that comes to a person more or less charged with the responsibility of a Government like this, is whether it is not possible in some way or other to cut down the expenses of the Government, and at the same time improve its efficiency. That is a problem that has been presented in the last twenty years to the leaders of our industries, and to our railroad companies, and it is a problem that has been successfully solved in many instances. The question is whether we can bring the same kind of talent, the same kind of effort, to the business of the Government. I hope we may, but it is going to be a hard fight to do it. In a corporation you can have absolute control in the hands of two or three men, who are made responsible, and who have the courage to carry out the plans necessary to bring about a result of increased economy and increased efficiency. A government, however, is a very different thing. Though it ought to be a business corporation, it of course is a great deal more than that; and, in so far as it is more than that, it has elements that obstruct its pure business efficiency.

When I came into office, the expenses of the Government exceeded the income by about \$50,000,000, and we had to do something. So we just put the knife in, or, if I may use a different expression, we just turned the screw a little tighter, and “expressed” some of the expenditures that were estimated for in the ordinary way in the various departments. I summoned the head of each department, and I said: “Here, you have got to reduce this so much per cent.” I had been at the head of one of the departments, and I knew some places where I had gratified my own desire to improve that department, where we could by restraining that desire bring about temporary economy, although we might need the money later if we were really going to carry out the purpose of the department as it ought to be carried out. I thus cut down the estimates \$50,000,000, because it seemed to me that it had to be done. That was a very poor way of doing it, and therefore we attempted to find a different way of reaching real economy by calling in expert economists to go over the whole question of governmental expenditures, governmental receipts, and governmental efficiency. We have had such a commission at work

for more than a year. When I see their plans unfold, and am made to know what is necessary in order to effect real economy, it is at first discouraging and then inspiriting—at first discouraging because it becomes apparent that a thing like this can not be accomplished in a year or two years—that it needs three or four years, or half a decade, in order to reorganize the Government on a basis which shall produce the work needed at the cheapest cost, and make it most effective. In other words, when the Commission begins really at the bottom, it has to go into each department and find out what it is doing, and by charging the department heads and other officers with making a report as to what it is they are doing, as to what their lawful duties are, and what their duties are under the regulations, acquaint them with some things they did not know before they had to make that statement. Then having made that collection of facts, and arranged them in such a way that they can be constantly consulted, it must find out from them where the duplications of functions are, how the bureaus may be united, how one bureau should be taken from one department and put into another; in other words, how the Government ought to be reorganized by the rearrangement of departments and bureaus as a first step in the real economy of government. After that it is possible to study the economy of method; and one of the great instruments for that is comparison between departments in doing the same things and the cost of doing the same things,—in correspondence, for instance, to detect the extravagance in one department over another, and to introduce a competition, which makes always for better results. The method of purchasing the great supplies that the Government needs, the best way of paying for travel, are instances where economy may be effected—when we know how much each department spends for travel, how much it ought to spend, and compare the mileage of travel of one department with that of others to see which is the more economical way, and why. All this leads ultimately to the formation of a budget of expenditure as well as of income. I suppose that every other Government in the world—certainly all conducted on any modern principles—has a budget. We have not. Perhaps the reason is that it is so easy to raise money to run this Government. If we had to tax the air we breathe in order to meet expenses to pay for governmental luxuries, we should introduce a better system; but when it is as easy as just

passing a law to add to our income, what's the use? I have always been anxious to talk with some of the Chancellors of the Exchequer of England, with some of the financial ministers of the continental countries, and explain how easy it is to raise money in this country, and then "watch their mouths water." But that ease of raising money, while it has its advantages in the comfort of running a government, has its disadvantages too in the lack of care with respect to which we do run our government and conduct our financial affairs. Of course the budgets of the Old World relate quite as much to the income as to the expenditures, because they have to look here and there and elsewhere. With us, we don't revise our tariff as often as Mr. White thinks we ought to, but our legislation as to income comes along only once every five years possibly, so that really the only change that there is is the change in the matter of expenditures, and it is with reference to the matter of expenditures that the reforms are so possible in this country.

I don't know whether any of the economists present—that of course includes everybody—has ever examined estimates of this Government as they are presented to Congress. If you have done so, you carried away no impression of any sort except that for the conveying of information there was great waste of money at the Public Printing Office. Now what this Commission proposes to do is to rearrange the expenditures with reference to the objects of the expenditures; to state them generally under the subjects, so that you may know by a glance how much we are spending for military purposes; so that you may know how much we spent last year for military purposes, how much this year, and how much it is proposed to expend for military purposes; then how much for civil purposes, and under that how much for education, how much for health, how much for transportation, how much for agriculture, for labor, for mining, and for such other objects as it seems proper under the general welfare clause of the Constitution to expend federal money. When that is done, the Member of Congress who votes on the expenditures, the press which comments on them, and the people-at-large who have to pay the taxes, will understand in some degree where their money goes, and will have some idea where the knife of economy can be put in. But it is going to be hard work for the Commission to justify this method of economizing, of preparing the forms that are needed, and of

making the recommendations for the reorganization of the various departments of the Government,—the combining of the bureaus that may be combined without loss of efficiency, and the improvement in the different methods of governmental work.

I am afraid—I have heard rumors—that we are not going to have an appropriation to continue the work of this Economy Commission. It is only a year old, and, as I say, it ought to last for five years in order that we may have laid before Congress a rational, scientific method of changing the organization of this Government for financial work and for economy and efficiency in the doing of the work.

Now it is said it won't amount to anything because it is merely theoretical. I don't agree with that in the slightest, and I hope you don't. I hope you will understand that after a Government has lived for one hundred and twenty odd years, under a system by which when we needed a new bureau we just built it and slapped it onto the main structure, the way to reform that structure is to rearrange it with a view to economy, in reaching one room from another when the two rooms ought to be together and the functions performed in those two rooms are of such character that proximity will make for economy. That can not be done by a committee on appropriations, or by a joint committee on expenditures. It has got to be done by men who are trained in the business of economists, are trained in the business of making a complete structure for work,—a machine, which will operate smoothly and efficiently, and at the same time with least waste and least expenditure of the power that is needed to make government go on.

I am embarrassed in speaking on this subject at this time, because I had hoped when the subject was assigned to me that I should by this time have sent in a message covering the whole matter. As it is, I am right in the midst of the subject, sitting up now with my Economy Commission trying to find out and understand, or have them interpret to me, just what they are doing and how they are doing it. When the Chairman called on me, I felt like answering, what doubtless many of you have frequently heard, "Not prepared", but I feel so deeply on the subject, feel so deeply the necessity for the continuance of a Commission like this for scientific study—and it requires scientific study for it can not be done by a rule of thumb—that I could

not omit the opportunity to appeal to a body of men like this, who understand the necessity for such work, to help form the public opinion that shall demand the continuance of a commission for the scientific investigation of this question, so that it may ultimately inure to the benefit of all the people by giving them, what they are entitled to, a business government of efficiency and economy.